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SENATE BILL 5573

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State of Washington

60th Legislature

2007 Regular Session

By Senators Hatfield, Schoesler, Zarelli and Kastama; by request of Department of Revenue

Read first time 01/24/2007. Referred to Committee on Ways & Means.

1 AN ACT Relating to modifying the rural county tax credit provided  
2 in chapter 82.62 RCW; amending RCW 82.62.010, 82.62.020, 82.62.030, and  
3 82.62.045; and providing an effective date.

4 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF WASHINGTON:

5 **Sec. 1.** RCW 82.62.010 and 2001 c 320 s 12 are each amended to read  
6 as follows:

7 Unless the context clearly requires otherwise, the definitions in  
8 this section apply throughout this chapter.

9 (1) "Applicant" means a person applying for a tax credit under this  
10 chapter.

11 (2) "Department" means the department of revenue.

12 (3) "Eligible area" means an area as defined in RCW 82.60.020.

13 (4)(a) "Eligible business project" means manufacturing or research  
14 and development activities which are conducted by an applicant in an  
15 eligible area at a specific facility, provided the applicant's average  
16 ((full-time)) qualified employment positions at the specific facility  
17 will be at least fifteen percent greater in the ((year for which the  
18 credit is being sought)) four consecutive calendar quarters after the  
19 application is submitted than the applicant's average ((full-time))

1 qualified employment positions at the same facility in the four  
2 consecutive calendar quarters immediately preceding (~~(year)~~) the filing  
3 of the application.

4 (b) "Eligible business project" does not include any portion of a  
5 business project undertaken by a light and power business as defined in  
6 RCW 82.16.010(5) or that portion of a business project creating  
7 qualified full-time employment positions outside an eligible area.

8 (5) "Manufacturing" means the same as defined in RCW 82.04.120.  
9 "Manufacturing" also includes computer programming, the production of  
10 computer software, and other computer-related services, and the  
11 activities performed by research and development laboratories and  
12 commercial testing laboratories.

13 (6) "Person" has the meaning given in RCW 82.04.030.

14 (7)(a)(i) "Qualified employment position" means a permanent full-  
15 time employee employed in the eligible business project during (~~the~~)  
16 entire tax year) four consecutive calendar quarters.

17 (ii) For seasonal employers, "qualified employment position" also  
18 includes the equivalent of a full-time employee in work hours for four  
19 consecutive calendar quarters.

20 (b) For purposes of this subsection, "full time" means a normal  
21 work week of at least thirty-five hours.

22 (c) Once a permanent, full-time employee has been employed, a  
23 position does not cease to be a qualified employment position solely  
24 due to periods in which the position goes vacant, as long as:

25 (i) The cumulative period of any vacancies in that position is not  
26 more than one hundred twenty days in the four-quarter period; and

27 (ii) During a vacancy, the employer is training or actively  
28 recruiting a replacement permanent, full-time employee for the  
29 position.

30 (~~(8) ("Tax year" means the calendar year in which taxes are due.~~

31 ~~(9))~~ "Recipient" means a person receiving tax credits under this  
32 chapter.

33 (~~(10))~~ (9) "Research and development" means the development,  
34 refinement, testing, marketing, and commercialization of a product,  
35 service, or process before commercial sales have begun. As used in  
36 this subsection, "commercial sales" excludes sales of prototypes or  
37 sales for market testing if the total gross receipts from such sales of  
38 the product, service, or process do not exceed one million dollars.

1       (10) "Seasonal employee" means an employee of a seasonal employer  
2 who works on a seasonal basis. For the purposes of this subsection and  
3 subsection (11) of this section, "seasonal basis" means a continuous  
4 employment period of less than twelve consecutive months.

5       (11) "Seasonal employer" means a person who regularly hires more  
6 than fifty percent of its employees to work on a seasonal basis.

7       **Sec. 2.** RCW 82.62.020 and 1986 c 116 s 16 are each amended to read  
8 as follows:

9       Application for tax credits under this chapter must be made  
10 ~~((before))~~ within ninety consecutive days after the actual hiring of  
11 qualified employment positions. The application shall be made to the  
12 department in a form and manner prescribed by the department. The  
13 application shall contain information regarding the location of the  
14 business project, the applicant's average employment, if any, at the  
15 facility for the prior ~~((year))~~ four consecutive calendar quarters,  
16 estimated or actual new employment related to the project, estimated or  
17 actual wages of employees related to the project, estimated or actual  
18 costs, time schedules for completion and operation, and other  
19 information required by the department. The department shall prescribe  
20 a method for calculating a seasonal employer's average employment  
21 levels. The department shall rule on the application within sixty  
22 days.

23       **Sec. 3.** RCW 82.62.030 and 2001 c 320 s 13 are each amended to read  
24 as follows:

25       (1)(a) A person shall be allowed a credit against the tax due under  
26 chapter 82.04 RCW as provided in this section. The credit shall equal:  
27 ~~((a))~~ (i) Four thousand dollars for each qualified employment  
28 position with wages and benefits greater than forty thousand dollars  
29 annually that is directly created in an eligible business project and  
30 ~~((b))~~ (ii) two thousand dollars for each qualified employment  
31 position with wages and benefits less than or equal to forty thousand  
32 dollars annually that is directly created in an eligible business  
33 project.

34       (b) For purposes of calculating the amount of credit under (a) of  
35 this subsection with respect to qualified employment positions as

1 defined in RCW 82.62.010(7)(a)(ii), wages and benefits for each  
2 qualified employment position shall be equal to the average annual  
3 wages and benefits for all of the person's new seasonal employees.

4 (2) The department shall keep a running total of all credits  
5 allowed under this chapter during each fiscal year. The department  
6 shall not allow any credits which would cause the total to exceed seven  
7 million five hundred thousand dollars in any fiscal year. If all or  
8 part of an application for credit is disallowed under this subsection,  
9 the disallowed portion shall be carried over to the next fiscal year.  
10 However, the carryover into the next fiscal year is only permitted to  
11 the extent that the cap for the next fiscal year is not exceeded.

12 (3) No recipient may use the tax credits to decertify a union or to  
13 displace existing jobs in any community in the state.

14 (4) The credit may be used against any tax due under chapter 82.04  
15 RCW, and may be carried over until used. No refunds may be granted for  
16 credits under this section.

17 **Sec. 4.** RCW 82.62.045 and 1999 c 164 s 307 are each amended to  
18 read as follows:

19 (1) For the purposes of this section "eligible area" also means a  
20 designated community empowerment zone approved under RCW ((~~43.63A.700~~)  
21 43.31C.020).

22 (2) An eligible business project located within an eligible area as  
23 defined in this section qualifies for a credit under this chapter for  
24 those employees who at the time of hire are residents of the community  
25 empowerment zone in which the project is located, if the fifteen  
26 percent threshold is met. As used in this subsection, "resident" means  
27 the person makes his or her home in the community empowerment zone. A  
28 mailing address alone is insufficient to establish that a person is a  
29 resident for the purposes of this section.

30 (3) All other provisions and eligibility requirements of this  
31 chapter apply to applicants eligible under this section.

32 NEW SECTION. **Sec. 5.** This act takes effect January 1, 2008.

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